

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

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FM AMCONSUL HALIFAX

TO SECSTATE WASHDC 1278

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

QSUBJECT: FINANCE MINISTER NICHOLSON REPORTS ON NOVA  
SCOTIA'S ENERGY PROBLEMS

REF: CONGEN'S A-20, APRIL 1, 1976

1. NOVA SCOTIAS FINANCE MINISTER PETER NICHOLSON  
ATTENDED LAST WEEK'S CONFERENCE OF PROVINCIAL FINANCE  
MINISTERS WITH FEDERAL FINANCE MINISTER DONALD MCDONALD  
DURING THE COURSE OF WHICH THE FEDERAL MINISTER MADE CLEAR  
THAT HE WAS OPPOSED TO GRANTING INCREASED SUBSIDIES TO THE  
PROVINCES IN CONNECTION WITH THEIR ENERGY PROBLEMS. ON APRIL  
6 MR. NICHOLSON MADE A STRONG STATEMENT IN THE PROVINCIAL  
LEGISLATURE IN HALIFAX REFLECTING HIS DISSATISFACTION WITH  
THE FEDERAL MINISTER'S DECLARATION.

2. MR. NICHOLSON WARNED OF ALTERNATIVES TOO HORRIBLE TO  
CONTEMPLATE; IF NOVA SCOTIA DOES NOT RECEIVE INTERIM  
ASSISTANCE FROM THE FEDERAL GOVERNMENT TO CUSHION THE  
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IMPACT ON POWER BILLS OF RISING OIL PRICES. ALTHOUGH SAYING

THAT HE WAS NOT COMPLETELY DISCOURAGED BY THE FEDERAL GOVERNMENT'S RECEPTION AT THE MEETING OF FINANCE MINISTERS LAST WEEK, HIS STATEMENT IN THE LEGISLATURE CLEARLY INDICATED THAT HE THINKS NOVA SCOTIA ( AND PRINCE EDWARD ISLAND) WILL HAVE TO KEEP PUTTING MORE AND MORE PRESSURE ON THE FEDERAL GOVERNMENT. MR. NICHOLSON SAID THAT HE HOPED TO HEAR WITHIN FIVE WEEKS OTTAWA'S REACTION TO THE PROVINCE S REQUEST FOR A SUBSIDY.

3. THE MINISTER SAID THAT HE HAD ASKED OTTAWA TO CONSIDER SUBSIDIZING ALL OIL BURNED IN EXISTING POWER PLANTS IN NOVA SCOTIA FOR TWO YEARS. AFTER THAT THE SUBSIDY WOULD BE PHASED DOWN OVER A PERIOD OF FOUR YEARS AT THE RATE OF 25 PER CENT PER YEAR. IN THE INTERIM ALTERNATIVES TO OIL-FIRED ELECTRICAL GENERATION COULD BE DEVELOPED.

4. WITHOUT FEDERAL AID TAXES MIGH HAVE TO BE RAISED TO SUBSIDIZE THE NOVA SCOTIA POWER CORPORATION OR POWER RATES INCREASED. TO RAISE RATES WOULD FURTHER CRUSH CONSUMERS WHO ARE ALREADY PAYING HIGH POWERE RATES AND WOULD UNDO ALL THE GOOD THAT HAD BEEN DONE IN THE PROVINCE BY THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION.

5. MR. NICHOLSON SAID THE FEDERAL GOVERMENT HAD A CONSTITUTIONAL RESPONSIBILITY TO PRIVIDE THE AID THAT NOVA SCOTIA NEEDS. HE SAID THAT THERE WAS NOTHING NEW ABOUT FEDERAL MONEY BEING SPENT TO ASSIST SPECIFIC REGIONS WHICH SUFFER FROM GEOGRAPHICAL IMPEDIMENTS. THE MOST CLASSIC EXAMPLE IS THE ST. LAWRENCE SEAWAY, A PROJECT BUILT WITH FEDERAL AID BUT WHICH BENEFITED ONLY CENTRAL CANADA. OTHER EXAMPLES WERE TRANSPORTEATION DEVELOPMENTS IN THE ROCKY MOUNTAINS FOR THE BENEFIT OF THE WEST COAST AND A 25 MILLION FEDERAL SUBSIDY ON OIL MOVED BETWEEN SARNIA AND MONTREAL. WITH THAT MANY ELEMENTS ON THE SIDE OF RIGHT, HOW CAN WE BE WRONG;?

6. ECHOING PREMIER REGAN ( REF AIRGRAM) MR. NICHOLSON SAID THAT THE PROVINCE WAS PURSUING THE IDEA OF A POWER GRID BUT WHAT WAS NEEDED FIRTST WAS THE SOURCE OF POWER TO UNCLASSIFIED

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TRANSMIT OVER SUCH A SYSTEM . HE SAID THAT THERE WERE GRAVE CONSTITUTIONAL AND JURISDICTIONAL DIFFICULTIES CONNECTED WITH SETTING UP A GRID AND THAT WE HAVE NOT HAD THAT MUCH SUPPORT FROM OTTAWA IN TAKING THE LEAD TO OVERCOME THOSE DIFFICULTIES.  
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